



# The Sacramento Bee

## **Daniel Weintraub: Budget crisis puts the governor at a turning point**

By Daniel Weintraub

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Gov. Arnold Schwarzenegger's first election in 2003 was centered on one issue: California's dysfunctional government. Schwarzenegger mocked the politicians in Sacramento who couldn't balance a budget the way you and I balance our checkbooks, and he promised to quickly tame the "spending addicts" in the Capitol.

More than four years later, Schwarzenegger has made little headway.

After his early attempts to cut spending ran into a wall of opposition from the majority Democrats in the Legislature, he mostly gave way. He tried asking the voters for more power to do the job himself and saw his ideas defeated at the polls. When a rush of unexpected revenues flowed into the treasury during a mini-economic boom, he did exactly what his predecessor, former Gov. Gray Davis, had done, expanding programs and services in a way that could not be sustained by the normal growth in tax collections.

Now, with his second term more than 25 percent complete and an economic slowdown looming, Schwarzenegger faces a moment of truth – and a \$16 billion shortfall between the taxes the state expects to collect and the spending required by current law. He will need to decide in the next few weeks whether he will continue to try to finesse the problem or deal with it head-on.

Schwarzenegger might be proud of his leadership in the fight against global warming and pleased with his program to rebuild California's infrastructure. But unless he attacks the state's fiscal mess with the same gusto he applied to those issues, he will leave his successor with the same kind of problem he inherited. History will judge him to be, for the most part, a failure.

The governor has proposed a budget that would cut projected spending by about 10 percent, slashing spending on schools, health care and public assistance, and closing state parks. But even that would not completely solve the problem. He wants to use more borrowing and gimmicks to paper over the rest. Next year, he and the Legislature would face the same old story: too many commitments, not enough revenue.

This fiscal treadmill needs to stop. It is poisoning politics in the Capitol, creating havoc for local governments and school districts that never know what to expect from the state, and giving California a reputation as a place in a constant condition of turmoil.

Schwarzenegger and his Republican allies in the Legislature have ruled out tax increases as part of any plan to balance the budget. But unless they can offer a credible alternative that brings spending down to a level that current revenues can support, their protests are no more than partisan posturing. They rail against the "big spenders" while refusing to produce a plan that would allow California's government to live within its means. They need to get real.

The Legislature's independent analyst, Elizabeth Hill, last week offered a dose of reality that Schwarzenegger should examine closely. Hill proposed an alternative budget that would, finally, balance the state's books for the long term. Her plan suggests spending cuts beyond levels most lawmakers would be comfortable with, including reductions in aid to the aged, blind and disabled, and cuts in law enforcement programs that are popular with local government. And yes, her plan suggests raising revenues by about \$3 billion a year by limiting several tax deductions and increasing fees.

Hill's plan also offers some fundamental reforms that are consistent with Schwarzenegger's early calls for fixing state government.

To help schools make do with less money than they have been expecting to receive, she would give local districts much more control over the money they do get. More than 40 separate state-ordered education programs would be combined into just four block grants, giving locally elected leaders flexibility to run their schools as they see fit.

Hill also has proposed a sensible plan to shift supervision of low-level state prison parolees to the counties, which already have responsibility for similar convicts who are on probation. She includes a plan to provide the counties a funding stream to pay for this added burden.

Under Hill's proposal, even with the new revenues available, state spending would increase by only about \$1.2 billion next year, or 1.1 percent. That's hardly profligate.

Such a plan would raise howls of protests from many quarters, and that opposition is already building. But it would be an intelligent, mature approach to curing the state's perpetual budget headache. Based on the best economic and revenue projections available today, it would actually balance the state's books for the long term while preserving essential services and doing little if any damage to the economy.

That would be good for California. It would also be a big win for Schwarzenegger, allowing him to leave office with the knowledge that he actually accomplished what he was elected to do, and more.

Schwarzenegger might not be excited about dealing with the budget. But if he wants to be remembered as a great governor, he needs to summon the courage – now – to fix a festering problem that has been a stain on his state's reputation for most of this decade.